

Developing sustainable financing to encourage private investment through crowd funding and block chain in real estate

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SUMMARY

The UNECE policy framework for sustainable real estate markets in 2010 agreed upon to develop a framework for promoting sustainable real estate markets as well as improving financing in the sector. One of the key observations as causes of economic crisis in 2008 by the Round table discussion at UN was - real estate bubble were allowed to inflate, mortgage lending was inadequately supervised and the financial markets were allowed to develop complex financial instruments. Unclear regulatory framework in the financial and real estate sector could become a potential cause for economic crisis.

This research work deals with the rationale for sustainable financing in real estate markets. The policy framework of UNECE identifies that credit policies directly influence real estate market dynamics in the sense that real estate assets form the collateral on which mortgages and loans are allocated. Competitive and affordable mortgage rates with easier repayment installments are increasingly an essential for young couples and first-home family buyers. It provides access to private ownership or partial ownership for a growing number of citizens, would contribute to solving housing problems in the long run.

While approximately 95% of the world's businesses are Small to Medium-sized Enterprises (SMEs), as many as half of them cannot get the financing they need – a credit gap estimated at over \$2 trillion across over 200 million businesses. Many facets of today's markets and marketplaces are likely to be impacted by large-scale adoption of blockchain technology, creating many new avenues for value creation. Focusing on a few key applications areas for institutional players and SMEs, impact from blockchain technology can range from increasing global access to finance, creating new transaction types and reimagining existing exchange and structural models. It is in this context this research work presents the importance of crowd funding in bridging the credit gap. Alternative forms of funding based on crowd funding and micro credit will be analysed and should be promoted, first and foremost in economies in transition.

According to the World Economic Forum's survey on technology tipping points, 58% of respondents expect that by the year 2025, 10% of global GDP will be stored blockchain variations, up from about 0.008% in March 2016. So it is in this context this paper draws an overview of the relevance of financial technology like blockchain and crowdfunding in filling the credit gaps for a sustainable financing in real estate projects.